

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

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R 171032Z MAR 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 770

INFO ALL EC CAPITALS 1848

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ETRD, EEC, IR

SUBJECT: COMMISSION PROPOSAL FOR EC/IRAN NEGOTIATIONS

REF: EC BRUSSELS 1013

1. SUMMARY: THE COMMISSION'S PROPOSED NEGOTIATING DIRECTIVES CALL FOR AN EC/IRAN " OUTLINE AGREEMENT ON TRADE AND ECONOMIC COOPERATION". IT WOULD CONTAIN AN MFN TRADE CHAPTER BUT THE DIRECTIVES ARE VAGUE ON IRAN'S SPECIFIC TRADE INTERESTS. HOWEVER, BRUSSELS SOURCES CONFIRM THE EC'S CONTINUED INTENTION TO USE ITS GSP TO HANDLE PROBLEMS IN THIS AREA. BROAD ECONOMIC COOPERATION IS ALSO ENVISIONED, WITH THE ACCENT ON JOINT VENTURES, BUT SPECIFICS ARE TO BE DEVELOPED BY A JOINT COMMISSION.

2. THE EC COMMISSION HAS SENT ITS PROPOSAL FOR AN "OUTLINE AGREEMENT ON TRADE AND ECONOMIC COOPERATION" TO THE COREPER FOR CONSIDERATION AND SUBSEQUENT ACTION BY THE COUNCIL OF MINISTERS. THE COMMISSION PROPOSES THAT IT BE GIVEN
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AUTHORITY TO PEN NEGOTIATIONS LEADING TO A "PRIV-

ILEGED" THOUGH NOT PREFERENTIAL, RELATIONSHIP BETWEEN THE COMMUNITY AND IRAN. THE AGREEMENT WOULD PROVIDE FOR TRADE AND ECONOMIC COOPERATION ELEMENTS AND ACCENT FUTURE EVOLUTION, TO BE EXPLORED UNDER THE AEGIS OF A JOINT COMMISSION. DURATION OF THE AGREEMENT WOULD BE INDEFINITE. BRUSSELS SOURCES INDICATE THAT THERE HAS BEEN NO EXTENDED DISCUSSION OF THE PROPOSAL IN COREPER AS YET. THE COMMISSION WILL NOW AWAIT MEMBER STATES REACTIONS. UNLESS THERE ARE DIFFICULTIES WITH ITS PROPOSAL, THE COMMISSION HAS NO INTENTION OF APPROACHING THE IRANIANS UNTIL THE MANDATE IS APPROVED. THERE FOLLOWS A BRIEF SUMMARY OF THE ESSENTIAL PROVISIONS OF THE COMMISSION'S PROPOSED NEGOTATING DIRECTIVES, TEXT OF WHICH IS BEING POUCHED TO EUR/RPE; CASEY AND AMEMBASSY TEHRAN. US POSSESSION OF THE DOCUMENT SHOULD BE PROTECTED.

3. TRADE COOPERATION: THE TWO SIDES WOULD GRANT EACH OTHER MFN TREATMENT. HOWEVER THE PROPOSED DIRECTIVES ARE VAGUE ON THE SPECIFICS OF HOW THE EC WILL TAKE CARE OF IRAN'S SPECIFIC TRADE PROBLEMS. THE TEXT STATES THAT THE EC WOULD "ENDEAVOR TO FIND APPROPRIATE SOLUTIONS FOR TARIFF PROBLEMS ARISING IN CONNECTION WITH IRANIAN EXPORTS TO THE COMMUNITY". THERE IS NO SPECIFIC MENTION OF GSP, BUT OUR CONVERSATIONS WITH COMMISSION AND PERMDEL OFFICIALS, BOTH IN THE PAST AND DURING THE LAST FEW DAYS, REAFFIRM THAT GSP IS THE INSTRUMENT THE COMMUNITY INTENDS TO USE TO HANDLE IRAN'S SPECIFIC PROBLEMS (I. E. PETROLEUM PRODUCTS). THE PROPOSAL GOES ON TO PROVIDE FOR MUTUAL NON-DISCRIMINATION WITH REGARD TO " ACCESS TO NATURAL RESOURCES AND SUPPLY OF RAW MATERIALS, FOOD AND INDUSTRIAL PRODUCTS", AND NOTES THAT THE TWO SIDES AGREE " NOT TO TAKE ANY ACTION IN THE FIELD WHICH MIGHT HINDER THE IMPLEMENTATION OF CONTRACTS BETWEEN BUSINESS FIRMS, SUBJECT TO INTERNATIONAL OBLIGATIONS AND RIGHTS". TRADE PROMOTION AND THE ELIMINATION OF NON-TARIFF BARRIERS ARE ALSO COVERED.

4. ECONOMIC COOPERATION: THE PROPOSAL NOTES THE COM-
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PLEMENTARY NATURE OF THE ECONOMIES OF THE EC AND IRAN AND OUTLINES PROPOSED AREAS OF ECONOMIC COOPERATION WHICH WOULD AIM TO : PROMOTE COHERENT DEVELOPMENT OF EC AND IRANIAN INDUSTRIES; PROMOTE INDUSTRIAL COOPERATION FOR EXAMPLE IN THE FIELD OF ENERGY; PROMOTE MUTUAL INVESTMENT; PROMOTE TECHNICAL, SCIENTIFIC AND TECHNOLOGICAL PROGRESS; SAFEGURD AND INCREASE THE SOURCES OF SUPPLY AND MARKETS OF RAW MATERIALS, ENERGY, FOOD

AND INDUSTRIAL PRODUCTS; AND PROVIDE FOR COOPERATION TO IMPROVE EMPLOYMENT, THE ENVIRONMENT AND THE GROWTH OF ECONOMIC ACTIVITY. THE ECONOMIC COOPERATION CHAPTER WOULD NOT EXCLUDE ANY AREA OF ACTIVITY, BUT SPECIFIC FIELDS WOULD BE ENUMERATED BY THE JOINT COMMISSION. METHODS OF SUCH COOPERATION WOULD INCLUDE CONSULTATION ON PLANS AND PROSPECTS FOR ECONOMIC DEVELOPMENT, SYSTEMATIC COOPERATION BETWEEN INDUSTRIES TO STRENGTHEN COMMERCIAL LINKS, PARTICULARLY JOINT VENTURES (I.E. DOWNSTREAM OPERATIONS IN THE FIELD OF ENERGY) BETWEEN THE TWO SIDES AND IN THIRD COUNTRIES. THE COMMISSION'S PROPOSAL MAKES CLEAR THAT BILATERAL ACTIVITIES OF THE EC MEMBER STATES IN THE FIELD OF ECONOMIC COOPERATION WOULD NOT BE EFFECTED BUT MERELY SUPPLEMENTED.

5. INSTITUTIONAL ASPECTS: A JOINT COMMISSION WOULD PROVIDE A FRAMEWORK TO PROMOTE THE VARIOUS FORMS OF TRADE AND ECONOMIC COOPERATION PROPOSED. THE MAIN FUNCTION OF THE JOINT COMMISSION WOULD BE TO EXAMINE TRADE PROBLEMS WHICH MIGHT ARISE AND PROPOSE APPROPRIATE SOLUTIONS. THE COMMISSION, ASSISTED BY THE MEMBER STATES, WOULD REPRESENT THE COMMUNITY.

6. COMMENT: THE NON-TRADE SECTIONS OF THE COMMISSION'S APPROACH TO AN EC/IRAN AGREEMENT REVEALS A NUMBER OF SIMILARITIES WITH THE DIRECTIVES FOR AN EC/CANADA AGREEMENT. IN ADDITION, THE ECONOMIC COOPERATION PROVISIONS ALSO SHARE SEVERAL ELEMENTS WHICH ARE COMMON TO THE ACCORDS RECENTLY CONCLUDED BETWEEN THE EC AND MEXICO (THE "INDIAN" MODEL), AS WELL AS WITH THE MAGHREB. HINTON

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